



October 6, 2021

Patrick Galvin, Chief Commercial Officer
Great Bear Pantheon, LLC
3705 Arctic Boulevard, Suite 2324
Anchorage, AK 99503

Oil and Gas Leases
ADLs 392786, 392787, 392788, & 392789

Approval of Rental Reduction

On September 7, 2021, the Department of Natural Resources ("DNR"), Division of Oil and Gas ("Division"), received an application ("Application") for rental reduction for the above referenced oil and gas leases ("Leases"). The Application was submitted by Great Bear Pantheon, LLC ("Great Bear") on behalf of working interest owners (WIOs) for the Leases, which include Great Bear Petroleum Ventures II, LLC and Borealis Alaska, LLC. In support of the Application, Great Bear submitted work completed and confidential expenditure information associated with exploring and developing the Leases. This decision approves the Application.

LEASE AND APPLICATION SUMMARY

The four Leases consist of 5,701 contiguous acres approximately 30 miles southwest of Prudhoe Bay between the Kuparuk River and the Dalton Highway, shown on the attached Exhibit A.

All the Leases have a December 1, 2015 effective date with a ten-year primary term. Section 5 of the Leases provide the rent schedule, and possibility of rental reduction as follows:

Year	Rental
1 – 7	\$10.00/acre
8 – 10	\$250/acre

(2). . . except that beginning in the year after the year in which sustained production commences on this lease or the state otherwise determines in its sole discretion, upon request, that the lessee has exercised reasonable diligence in exploring and developing this lease the annual rental will be \$10.00 per acre or fraction of an acre. In evaluating a request to decrease rental based on the exercise of reasonable diligence, the state will consider the funds expended by the lessee to explore and develop this lease and the types of work completed by or on behalf of the lessee on this lease.

The Application, if approved, would reduce the rental rate for the State's interest from \$250.00 to \$10.00 per acre per year.

Authority to decide a request for rental reduction is delegated to the Division Director. An application must be submitted between one year and 90 days before the lease anniversary date of the lease. Great Bear timely and correctly submitted the Application on September 7, 2021.

There has been no prior application for rental reduction on the Leases. All Leases are eligible for rental reduction.

During the seventh year of the primary term, Great Bear applied for the formation the Talitha Unit ("Unit"), which encompasses the Leases subject to this Application. The Division approved the formation of the Unit on November 12, 2020. Per the terms of the Unit formation decision and Unit Agreement:

- (a) Great Bear must post a performance bond in the amount of \$3.3 million no later than one (1) year from the effective date of the Unit Agreement, or September 15, 2021, whichever is earlier
- (b) Great Bear must drill one well within the initial two (2) years, or two wells within the initial four (4) years of the Unit

Work completed on the Leases and adjacent acreage added to the WIOs understanding of prospective reservoir targets on the Leases and adjacent acreage. The WIOs drilled and tested one well on acreage directly adjacent to the Leases and within the Talitha Unit, of which these leases are a part. The Talitha A (PTD 220076, API 50223200350000) well was completed on April 25, 2021. On June 17, 2021, the WIO's provided a confidential technical review to the Division discussing the results of the operations to date. On September 13, 2021, the Division acknowledged the WIOs successfully satisfying the drilling requirements and waived the requirement to post a \$3.3 million performance bond.

Based on the expenditures made and the work completed, the applicants have exercised reasonable diligence to explore and develop the Leases during the primary term.

FINDINGS AND DECISION

The Division finds:

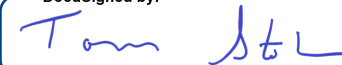
- Great Bear timely submitted an application for rental reduction;
- Great Bear applied for the Talitha Unit on August 6, 2020;
- The Division approved the formation of the Talitha Unit on November 12, 2020;
- The Leases are committed to the Talitha Unit;
- The WIOs drilled and tested one well on acreage directly adjacent to the Leases, within the Talitha Unit and prior to the expiration of the primary lease term;
- The Leases provide for the State to reduce rent from \$250.00 per acre to \$10.00 per acre;
- Based on the expenditures made and the exploration work completed, the WIOs have exercised reasonable diligence to explore and develop the Leases and; therefore,

I hereby approve the reduction of rent on the Leases in the Application from \$250.00 per acre to \$10.00 per acre.

APPEAL

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of “issuance” of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,

DocuSigned by:

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Tom Stokes
Director

Exhibit A

